

**MAYOR AND COUNCIL STRATEGIC FOCUS AREA SUBCOMMITTEE**  
**RIO NUEVO/DOWNTOWN, ARTS, CULTURE AND HISTORY**

**ADMINISTRATIVE ACTION REPORT AND SUMMARY**

April 6, 2006

Council Member Trasoff called the Subcommittee meeting to order at 5:06 p.m. The meeting was held in the Ward 6 Conference Room (3202 E. 1<sup>st</sup> Street), Tucson, Arizona.

COUNCIL MEMBERS PRESENT: Nina Trasoff, Subcommittee Chair, Ward 6  
Jose Ibarra, Ward 1

COUNCIL MEMBER ABSENT: Steve Leal, Vice Mayor, Ward 5

STAFF MEMBERS PRESENT: Greg Shelko, Rio Nuevo Director  
Albert Elias, Urban Planning & Design Director

GUESTS PRESENT: Doug Biggers, Rialto Theatre Foundation  
Tom Powers, President, Rialto Theatre Foundation Board BP  
Post Investors, LLC

AGENDA ITEM/MAYOR AND COUNCIL ACTION	STAFF ACTION
<b>1. Call to Order</b>  The meeting was called to order at 5:06 p.m.	
<b>3. Development Agreement Between the City of Tucson, Rio Nuevo Multipurpose Facilities District and BP Post Investors, LLC</b>  BP Post Investors, LLC proposes to build 40 condominium units, but no less than 27, with 10,000 sq. ft. of ground floor retail with parking, on what has been commonly referred to as The Thrifty Block.  The Development Agreement is structured as a performance-based option to purchase. The base term is 6 months, with up to three (3) automatic 3-month extensions provided Bourn makes demonstrable progress. Following is a summary of substantive terms and conditions: <ul style="list-style-type: none"><li>- the real estate closing must occur within 15 months of the effective date of the Development Agreement</li><li>- 6-month base term<ul style="list-style-type: none"><li>- within first 30 days deliver preliminary elevations for design-scheme approval</li><li>- obtain approval of conceptual architectural elevations and building program, including GSA review and approval as required by prior conveyance documents</li><li>- develop and implement marketing and sales strategy</li></ul></li></ul>	

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<ul style="list-style-type: none"><li>- 3-month term extension<ul style="list-style-type: none"><li>- deliver satisfactory preliminary financing commitment, proposed equity sources</li><li>- obtain approval of advanced design development and building program</li></ul></li><li>- 3-month term extension<ul style="list-style-type: none"><li>- submit construction documents for permitting purposes</li><li>- complete zoning changes and obtain variances as required</li></ul></li><li>- 3-month term extension<ul style="list-style-type: none"><li>- meet lender presale requirements and deliver firm financing commitment(s)</li><li>- pull building permits</li><li>- close real estate transaction</li></ul></li><li>- construction must be completed within 18 months of closing</li><li>- developer delivers \$40,000 cash or an irrevocable letter of credit payable upon demand of City and/or District to ensure option period and construction performance</li><li>- developer to complete exterior renovations to the historic Indian Village Trading Post property, as required by the GSA and in conformance with the US Secretary of Interior's standards, within 18 months of the effective date of this Agreement</li><li>- the City and District agree to expeditiously manage regulatory approval processes; and, to cooperate with the developer in entitlement matters, including by way of example sewer credits, water fees, solid waste handling, variances, zoning, and Design Review Board approval(s)</li><li>- the developer is entitled to existing downtown incentives offered by the City, i.e., permit fee waiver up to \$10,000 and rebate of construction sales taxes to offset cost of infrastructure and other work performed in the public right right-of-way</li><li>- the Agreement stipulates that the developer may be entitled to additional downtown incentives as may be approved by the Mayor &amp; Council in the future, but only to the extent the development is eligible for such incentives</li></ul>	

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<ul style="list-style-type: none"><li>- the Agreement provides for waiver of application and other fees associated with any temporary revocable easements and air rights necessary for and incidental to build-out of the site in manners consistent with the City's objective to create a vibrant downtown living and pedestrian environment</li><li>- the Agreement is assignable to related entities, but only if Bourn retains a controlling interest therein</li></ul> <p>The District will sell the vacant land and improvements (Indian Village Trading Post) for \$100. The developer also intends to enter into a Memorandum Of Understanding with the Community Services Department, for the reservation of 4 units (or 10% of the project) for affordable housing purposes.</p> <p>Council Member Ibarra wanted assurances that, if the developer doesn't perform in accordance with the agreement, the City can move on.</p> <p>Mr. Shelko, explained that if Bourn doesn't perform for reasons "within his control" during any of the option period, the agreement will be terminated. Also, the City won't convey title unless and until the permits have been issued and the ground is ready to be broken.</p>	
<p><b>2. Rialto Theatre Programming Update and Capital Improvement Investment Plan</b></p> <p>Mr. Biggers provided the subcommittee with a progress report. April 16<sup>th</sup> will be the Theatre's one-year re-opening anniversary. The Rialto Historical Theatre Foundation, a non-profit organization, was created to manage the Theatre. The District owns the Theatre. In September 2004 Mayor &amp; Council approved the purchase and a development agreement between the City, the District and Congress Street Historic Theatres Foundation. From October '04 to January '05 a building assessment was conducted. Rehabilitation started in February 2005. Over 100 performances have taken place over the last year. The Theatre is a publicly owned asset. Rio Nuevo contributed \$350,000. Over \$550,000 was spent on the first phase of improvements. Rio Nuevo contributed \$350,000. Another \$100,000 was spent on the marquee (1/2 Mayor's Back to Basics and 1/2 Congress Street Investors). Other contributions totaling \$350,00 were invested in renovation work. Board Members loaned the Theatre \$155,000 in non-interest bearing/non-recourse loans because there was only 11 weeks to get the work done, and the contractors needed to get paid.</p>	

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STAFF ACTION

Construction photos showed how a hole was punched in the wall to bring in two huge hydraulic lifts into the building. Major life and safety improvements were made in the form of new exit doors, panic handles, and exit stairs on Herbert. Major acoustic enhancements were also made. They stabilized the auditorium' ceiling. A complete re-painting of the facility with a new mural in the lobby took place. \$100,000 went to an electrical upgrade. New fire sprinklers, new lighting and improved restrooms were also installed. On June 24<sup>th</sup> the new marquee lighting took place. It was made by a local vendor.

Mr. Biggers went though a diverse list shows that have taken place over the last year. He read a complimentary letter from a Tucson Downtown Alliance Board member that attended an event at the Rialto. He commented that he had an excellent small staff, that is very capable and dedicated.

Phase II of the project includes an HVAC system, replacing the balcony seats, expanding the box office and concessions area, expanding the theatre office administration space and finishing the auditorium floor and under-stage restrooms.

Phase III includes more improvements to the restrooms and exterior of the stage outside. Financial assistance from the Arizona Heritage fund will be sought, and that grant cycle may not be awarded until 2007.

Mr. Shelko had a companion piece to Mr. Bigger's item. It's being recommended that the District invest in the air-conditioning and cooling system for the theatre facility. It's a capital investment in the District's real Estate asset. The estimated cost for labor and materials is \$300,000. The estimated cost to evaluate, design and engineer a system is \$35,000. Additional costs may be incurred for uanaticipated changes order. Therefore, he recommends authorizing the District to expend up to \$385,250 which includes a 15% contingency for unknown conditions. The District and Foundation are both subject to the City's procurement policies. And the HVAC work will be managed accordingly. Staff will monitor the development of bid specifications to ensure cost efficiency and over the work and approve payments in cooperation with the Foundation.

Although the Rialto is doing terrific, it could do even better if was open during the summer. The Rio Nuevo Citizens Advisory Committee approved the request yesterday, and the Rio Nuevo Board is scheduled to take it up at their meeting this month as well.

Council Member Ibarra moved to approve Mr. Shelko's request fund the

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<p>HVAC system. Chair Trasoff seconded the motion. The motion passed unanimously (2-0).</p> <p>Chair Trasoff asked for an update on rehabilitation plans for the entire block.</p> <p>Mr. Biggers introduced Tom Powers, President of the Board and Mr. Bigger's partner. On Tuesday, Doug and Tom purchased all other ownership interests in the block back. They are ready to go forward with renovation. They have SHPO approval, national parks service approval, DRB approval, Tucson-Pima Historical Commission approval and permitting. Mayor Walkup has awarded them \$150,000 in Back to Basics funding for the façade improvement.</p>	
<p><b>4. Interim Ordinance Changes Regarding Commercial Parking and Others</b></p>	
<p>The subcommittee has been encouraging staff to make development easier downtown. This is the beginning of a several months long project to make Land Use Code modifications, and create more efficient processes.</p> <p>Albert Elias – In October 2002 the Mayor and Council approved the Rio Nuevo Overlay Zone, in an effort to recognize that our downtown regulations should be different. At that time, some design guidelines were developed. Since that time, we've had some projects go through the process and we know what things went well for them and what didn't. The market conditions and the things that are necessary to make projects successful downtown are different than other parts of the community. As the previous speaker noted, downtown developers need courage and need to take risks; at the same time, they need quick answers. With the City Manager's direction and the subcommittees endorsement, staff has put together a landuse code amendment that would allow for the Development Services Director to make certain modifications specifically related to off-street parking, loading, screening and landscaping. The Land Use Code amendment will go to the Planning Commission on May 3<sup>rd</sup>, and they will forward their recommendation to the subcommittee. This item is primarily information, however, comments and suggestions are welcome at this time because it will need the subcommittee's support ultimately when it goes back to the full Mayor and Council. They want the downtown stakeholders to provide input, not only developers, but neighborhood residents. This is the first step in re-shaping some larger efforts in development regulations and development review process.</p>	

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<p>Chair Trasoff asked if there would still be a process for people to follow if they object to the Development Services Director's decision. Albert responded that there would be both notification and appeal processes.</p> <p>Council Member Ibarra responded that he's happy to see flexibility especially in the area of parking.</p> <p>Albert – they don't want to have an adverse affect on neighborhoods. They don't want overflow parking affecting them.</p>	
<p><b>Call to the Audience</b></p> <p>Celeste Kelly asked if there was a timeline for the modifications to the landuse code?</p> <p>Albert responded at this time public hearing on May 3<sup>rd</sup> Planning Commission. If they make a recommendation to Mayor and Council sometime in June. The amendments would go into effect 30 days after the Mayor and Council approves it (mid-July).</p>	
<p>Chair Trasoff stated that the next meeting would take place at 5:00 p.m. on April 20th at the Ward 6 Council office. At that time, she wants an update regarding the Franklin Block from the developers.</p>	
<p><b>5. Adjournment</b></p> <p>Council Member Ibarra motioned to adjourn the meeting at 5:45 p.m. Chair Trasoff seconded the motion. The meeting was adjourned</p>	